

DIA

20 July 1961

Mr. Edwin G. Moline
Acting Chief
Economic Defense Staff
Department of State
Washington 25, D. C.

Dear Mr. Moline:

Reference is made to your letter of 2 July regarding the reports of other governments to the Additional Measures Committee of the United Nations, which were submitted in response to the General Assembly Resolution of 18 May 1951. That resolution recommended a strategic embargo against Communist China and North Korea. It is noted that the Economic Defense Staff of the Department of State will coordinate the analysis of these reports with relation to United States policies and objectives in the economic field and as to the adequacy of the measures described in the reports, and that comment is requested regarding information in the reports related to the interests of the Central Intelligence Agency.

In the limited time and with the limited information regarding details of the controls of the various countries, it is not possible to give an adequate or coordinated study of the reports. The following comments, however, are offered for what they may be worth.

The resolution of 18 May does not prescribe a form for the report recommended in paragraph 1(e). Consequently, the replies of the various countries are not comparable as to the extent of the embargo and the compliance with the other recommendations in the resolution.

With reference to paragraphs 1(a) and 1(b) of the resolution, it is obvious that there are varying interpretations of what constitute "items useful in the production of arms, ammunition, and implements of war." None of the important trading countries has an embargo as comprehensive as that of the United States. France, Netherlands, and the UK attached embargo lists, but even these are not sufficiently specific for comparison with the US lists or the COCOM lists. Some items shipped to China are considered by the exporting country as "non-strategic," since they are not included on the COCOM embargo list. Items not on IL-I include certain materials and equipment in the following categories: steel plate and angle bars, machinery, seamless boiler tubes, ball and roller bearings, milling machines, steam turbines, dyestuffs, steel wire, motors, centrifugal pumps, cranes, and electric power cables. Shipment of such materials by Western powers reduces the effectiveness of the embargo of the items specifically included in the resolution of 18 May. If the embargo of Communist China and North Korea is to

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be effective, a liberal interpretation of paragraph 1(a) of the General Assembly Resolution is important because Chinese industrialization does not necessarily require items of the most advanced technology.

Many of the governments did not refer specifically to the measures taken in response to paragraphs 1(c) and 1(d). Intelligence indicates that there have been substantial transshipments through both European and Far Eastern ports. With the restriction of trade with Hong Kong and the West, there is evidence that the Chinese have resorted to new sources and new channels for procurement (clandestine and otherwise) of items of strategic significance. Karachi, Bombay, Calcutta, Singapore, Manila, and Macao are being developed further as transshipment points to by-pass the trade controls at Hong Kong. Prominent in the traffic reported are tires, motor vehicle parts, electronics, petroleum, and antibiotics. In the case of India and Pakistan, attention is called to the fact that these countries produce practically the entire world supply of raw jute, of which there is presently a world shortage. India also has a large industry in goods manufactured from jute. Gunny sacks and other jute products are critically essential to the Asiatic countries as packaging material for military and civilian supplies. They also have other important military uses, such as sandbags, camouflage material, and cordage. From the outbreak of World War II, raw jute and Indian-made jute goods were strictly controlled by the British as highly strategic materials.

The Chinese are notoriously successful traders and smugglers, having a far-flung network of overseas connections. It is reported that they have established the China Export Corporation in the Soviet Zone of Germany for the purpose of placing orders in Western Europe. Any embargo of Communist China, to be effective, must be supported by parallel action by the nations of the free world. Interruption of the trade at any one point or through any one channel has resulted in attempted diversion through other routes. Consequently, any embargo, to be effective, will require concerted action and diligent enforcement beyond that indicated in most of the reports.

Sincerely yours,

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